



CITY *of* BRISBANE

Affordable Housing Subcommittee Agenda

Wednesday, August 2nd, 2023 at 2:00PM • Hybrid Meeting
Brisbane City Hall, Large Conference Room, 50 Park Place, Brisbane, CA

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SUBCOMMITTEE MEMBERS:

Mayor Davis, Councilmember Lentz

ROLL CALL

- A. Consider any request of a City Councilmember to attend the meeting remotely under the “Emergency Circumstances” of AB 2449

PRESENTATIONS AND DISCUSSION ITEMS

- B. Review Visitacion Garden Senior Housing: Bridge Ground Release Expiration/Renewal

PUBLIC COMMENT**ADJOURNMENT**

File Attachments for Item:

A. Review Visitacion Garden Senior Housing: Bridge Ground Release Expiration/Renewal



CITY COUNCIL SUBCOMMITTEE AGENDA REPORT

Meeting Date: 8/2/2023

From: John Swiecki, Community Development Director

Subject: Visitacion Garden Senior Housing; Bridge Ground Lease Expiration/Renewal

Background

For the past several months, staff has engaged in discussions with BRIDGE Housing staff regarding extension of the groundlease governing BRIDGE's operation of Visitacion Garden senior apartments. Staff has also collected information on BRIDGE's operational procedures, particularly regarding waitlist management and tenant preferences, at the request of this subcommittee. The April 10 subcommittee report provides detailed information on the groundlease and operational procedures and is attached to this report for reference.

Discussion

Current Groundlease- BRIDGE Financial Requests

As noted in the April 10 report, the property's operating expenses are on track to eclipse rental revenue within the current lease term. BRIDGE has requested that the City/Housing Authority subsidize the property's operations to neutralize the impact and avoid untenable rent increases. The requested amount is approximately \$945,000 over the next five years. BRIDGE will provide a detailed formal request outlining the exact subsidy request and supporting revenue and operational expenses through 2028.

Two City/Housing Authority loans totaling approximately \$2.34 million plus an additional \$1.5 million in accrued interest are required to be repaid in 2028. BRIDGE has asked that these loans be forgiven.

The City's 2023-2031 Housing Element commits to preserving deed-restricted affordable housing units and assisting tenants of those units in a variety of ways. Specifically, program 3.A.1 commits to adopting the forthcoming Affordable Housing Strategic Plan (AHSP) and anti-displacement policies contained therein. Programming low/moderate income housing fund revenues to subsidize BRIDGE's operational costs would be consistent with the City's anti-displacement goals. Waiving repayment of the loans would similarly be consistent with the City's policies to assist financially in the development of affordable housing. The current fund balance of the low/moderate income housing fund is approximately \$3 million, with additional revenues anticipated with future adoption of a commercial nexus fee.

Groundlease Renewal: Preliminary City and BRIDGE Priorities

City and BRIDGE staff have identified the following topics in upcoming groundlease renewal negotiations:

- Evaluate household income levels served: Presently, the groundlease establishes the following household income limits:
 - o Max. 30% area median income (AMI): Two units
 - o Max. 40% AMI: Two units
 - o Max. 80% AMI: Two units
 - o Max. 120% AMI: Eight units

Adjusting the targeted income levels to very-low income households (earning max. 50% AMI) would more accurately reflect the actual incomes of both current tenants and the waitlist population, according to BRIDGE.

- Ongoing City/Housing Authority financial support: BRIDGE projects the current delta between rental revenue and operating expenses to continue beyond the 2028 lease term. Should the groundlease extension include deeper affordability as highlighted above, this gap may widen. An ongoing subsidy from the City/Housing Authority is a high priority for BRIDGE to ensure the property remains solvent and rents are stabilized.

Additional priorities will be highlighted as conversations continue.

Additional Operational Information

BRIDGE provided the following responses to several questions by subcommittee members at the April 10 subcommittee meeting. (Note: responses to previous information requests are found in the April 10 subcommittee report, attached.)

- What is the current age range of residents?
 - o Average is 78; youngest is 69, oldest is 90
- How long did each current resident wait on the waitlist before getting a unit?
 - o One resident moved in 20 years ago; no records as to wait time
 - o The other current 12 resident wait times were:
 - 4 waited up to 1 year;
 - 1 waited up to 2 years;
 - 2 waited up to 3 years;
 - 4 waited up to 4 years
 - 1 person waited 6 years
- What were the annual rent increases for each tenant/unit in real dollars for the past 5 years?

Unit	2023	2022	2021	2020	2019
V1	54	31	0	35	20
V10	24	14	0	16	9
V2	46	27	0	30	moved in

Unit	2023	2022	2021	2020	2019
V4	46	27	0	moved in	
V5	54	31	0	moved in	
V6	24	14	0	16	9
V8	35	20	0	23	13
V9	50	29	moved in		
I1	0	0	0	0	0
I2	moved in				
I3	35	20	0	moved in	
I4	46	27	0	30	moved in
I5	VACANT				
I6	46	27	0	30	17

- NOTE: unit 11 has a housing choice voucher and tenant rent is determined by the housing authority based on their income; tenant rent has remained flat all five years
- What are current vacancies and the income level of those vacancies?
 - As of May 11, 2023: Unit I5, 1 BR 60% AMI unit (Note: Since this was reported by BRIDGE, this unit has been filled.)
- What preference criteria do current residents meet, out of the preference listed in the ground lease?
 - 11 residents meet Preference level 1; 2 residents have no preference
- How does BRIDGE audit preference applicability and income of waitlist people (e.g., changing circumstances- waitlisted households who move out of Brisbane, stop working in Brisbane, or their family member in Brisbane dies, etc.) over time? Is there annual verification or does it occur when the waitlister is next on the list?
 - Preference levels are verified at the time of pre-application submittal to the waiting list, and categorized on the waiting list accordingly. Preferences are not re-verified when a unit becomes available.
- How does BRIDGE calculate income? What counts as income? Is this governed by State or other law or does BRIDGE/the City have discretion?
 - BRIDGE follows HUD methodology and include all current gross income, projected over the next 12 months, as well as asset income. BRIDGE verifies income and assets and collects second party documents (pay stubs, bank

statements). The Ground Lease does not call out a methodology by definition. This was also in compliance with the federal Department of Housing and Urban Development's former HOME program regulations.

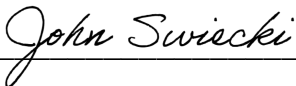
- What happens to a caregiver residing in a unit at the complex if the primary householder, who they were assisting, dies and the caregiver doesn't meet age or income requirements to stay in the unit?
 - In accordance with the Ground Lease, if a household does not meet the "eligible senior household" definition at recertification, they must vacate the unit. "Eligible Senior Household" must contain at least one member 62 and over, with all other members 45 or older, or spouse of any age.

Next Steps

Staff will continue conversations with BRIDGE regarding the mutual interest in renewing the ground lease this month.

Attachments

1. 4/10/2023 subcommittee report and attachments



John Swiecki, Community Development Director



CITY COUNCIL SUBCOMMITTEE AGENDA REPORT

Meeting Date: 4/10/2023

From: John Swiecki, Community Development Director

Subject: Visitacion Garden Senior Housing; Bridge Ground Lease Expiration/Renewal

Background

The Visitacion Garden Senior Housing development at 8 Visitacion Avenue contains 14 apartment units for low- and moderate-income seniors (age 62+) and includes a senior recreation center ("Sunrise Room"). The former Brisbane Redevelopment Agency (RDA) purchased the site in 1995 for \$440,000. The RDA then partnered with BRIDGE Housing, a non-profit affordable housing developer, to design, construct, and manage the affordable senior housing development. The RDA made two construction loans to BRIDGE in the amount of \$900,000 from the low- and moderate-income housing fund and \$1.4 million from bond proceeds. San Mateo County also contributed a \$175,000 loan from affordable housing funds. Construction was completed in November 1999. The RDA agency loan has a 30-year term, coterminous with the ground lease. The bond proceeds loan has a 40-year term, beyond the term of the ground lease. Repayment of both loans are due at the respective expiration dates with interest (3% simple).

BRIDGE currently owns the building and improvements and manages the facility under a 30-year ground lease ("lease") that expires in 2028, aligned with the term of the agency and bond proceeds loan repayment. The lease (attached) establishes the tenant household income levels (section 5.2), maximum rent calculations (section 5.3), and local preferences to determine tenant selection (section 5.5). These elements of the lease are discussed in more detail in the Discussion section below.

If the lease is not extended, ownership of the building and improvements on the site revert to the Housing Authority in 2028. The lease requires BRIDGE to make annual rent payments out of "Surplus Cash," which is defined in the lease generally as operating income from the development minus reasonable operating expenses. The City anticipated that surplus cash would gradually decline over time and projected \$0 rent payments in years 26-30 of the lease.

BRIDGE Background: According to their website, BRIDGE was formed in 1983 to "spearhead new solutions to the worsening shortage of affordable housing" in the Bay Area. Since its inception, BRIDGE has grown to own or manage 126 affordable housing developments throughout the Bay Area, California, Oregon and Washington. In San Mateo County, BRIDGE's portfolio includes ten properties (including Visitacion Garden). BRIDGE's role in affordable housing projects includes site acquisition, project design, construction, initial lease-up, and ongoing management.

Household Income Levels Served: As described in Section 5.2 of the lease, the household income levels served by the development include:

- 30% area median income (AMI) or less: Two units
- 40% AMI or less: Two units
- 80% AMI or less: Two units
- 120% AMI or less: Eight units

Discussion

BRIDGE staff have proactively initiated preliminary conversations with City staff regarding the possible renewal of the lease. Staff will be meeting with BRIDGE staff in the near future to identify discussion points for potential lease renewal. Staff has also requested information from BRIDGE to address questions from City Council members regarding waitlist management and rent increase procedures. These items are addressed below and staff anticipates receiving additional information from BRIDGE in the coming weeks.

Waitlist Management: BRIDGE has an in-house waitlist team, based in their San Francisco offices, that manages the waitlist for Visitacion Garden. According to BRIDGE staff, there are currently 174 households on the waitlist. Given the size of this waitlist and the small size of the development, the typical wait times are considerable and vary based on preferences and the unit type available. Applicants with preference that qualify for a maximum 80% AMI unit will likely get contacted within a year for an available unit. Households with preference that qualify for the four units restricted to 30% and 40% AMI will likely wait *several years* before contact regarding an available unit.

Applicants are chosen from the waitlist according to which preferences (see discussion below) they qualify for when completing their application. Applicants are required to provide proof that they meet any preference selected. When and if the active waitlist runs low, BRIDGE markets the property as outlined in section 5.5 of the lease. All marketing is conducted in a manner that follows Fair Housing Laws.

Preferences: Related to waitlist management, section 5.5 of the lease outlines the local “preferences” BRIDGE uses to determine which households on the waitlist are eligible when a unit becomes available, as follows:

- First preference: Current Brisbane resident
- Second preference: Immediate family members of Brisbane residents
- Third preference: Current or most recently employed in Brisbane
- Fourth preference: Households who were past residents of Brisbane (min. 6 months)
- Fifth preference: Households who were employed in Brisbane in the past (min. 6 months)

Note that within the preference categories priority is based on the application date. Any modifications to these preferences would need to be negotiated through the lease renewal and would be subject to the legal restrictions of current Fair Housing laws.

Rent Increase Procedures: The calculations for maximum monthly rental charges are found in Section 5.3 of the lease, and summarized below:

- Max. 40% AMI (four units): 30% of 50% AMI (adjusted for household size) divided by 12
- Max. 120% AMI (eight units): 30% of 110% AMI (adjusted for household size) divided by 12
- Max. 80% AMI (2 units): Not specified in lease

The lease specifies that the household size shall be the number of bedrooms plus one (e.g., for a one-bedroom unit, the household size assumption would be two persons).

This formula allows rents to be increased annually to reflect changes in AMI. This could lead to significant challenges for households on fixed incomes. BRIDGE staff advises that annual increases are typically limited to 3%, significantly less than recent increases in AMI (e.g., the AMI increased by about 11% between 2021 and 2022). BRIDGE staff have stated that current rents are about 48% of the maximum they could charge under the terms of the lease. Rent increases of 5% were imposed on January 1, 2023, or about \$24-\$67 per month across the units. Any modifications to the maximum rent calculation would need to be negotiated through the lease renewal.

Fiscal Strength of Visitacion Garden: BRIDGE staff has preliminarily advised staff that the property is currently not profitable and projections indicate this will likely continue over the remaining term of the lease. While the City and BRIDGE anticipated surplus cash would decline in the final years of the lease, eliminating annual rent payments to the City, it was not anticipated that the property expenses would eclipse revenues to this degree. The long-term fiscal health of the property will likely be a significant factor in the City's upcoming lease renewal discussions with BRIDGE.

Next Steps

Staff will begin conversations with BRIDGE regarding the mutual interest in renewing the ground lease this month. Staff will update this subcommittee and the full Council as those talks evolve and key discussion points are identified.

Attachments

1. 1998 BRIDGE Ground Lease



John Swiecki, Community Development Director

A.

**EXEMPT FROM FEE PURSUANT TO
GOVT. CODE SECTION 6103/27383**



Recording Fee: 0 - PFALLS

41P

By and Between

Senior Housing Development

[illegible]

GROUND LEASE

By and Between

THE REDEVELOPMENT AGENCY OF THE CITY OF BRISBANE

and

BRIDGE Housing Corporation

Senior Housing Development

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GROUND LEASE

THIS GROUND LEASE ("Lease"), is entered into as of Jan. 26, 1998, by and between the Redevelopment Agency of the City of Brisbane, a public body corporate and politic ("Lessor") and BRIDGE Housing Corporation, a California nonprofit public benefit corporation ("Lessee").

RECITALS

A. The Lessor owns certain real property situated in the City of Brisbane, County of San Mateo, which is more particularly described in Exhibit A attached hereto (the "Property").

B. The Lessor has entered into an Option to Lease Agreement dated March 10, 1997 (the "Option Agreement") with the Lessee, pursuant to which this Lease is executed.

C. The Lessee has agreed to develop on the Property a multifamily housing development for low-and moderate-income seniors consisting of fourteen residential units (the "Improvements"), which Improvements will be owned in fee by the Lessee.

D. The Lessor desires to lease the Property to the Lessee for a period of thirty (30) years pursuant to the terms of this Lease.

NOW, THEREFORE, in consideration of the promises and the respective covenants and agreements contained in this Lease, the parties hereby agree as follows:

ARTICLE 1: DEFINITIONS1.1 Definitions

The following terms shall have the following meanings in this Lease:

(a) "Affordability Requirements" shall mean the Lessor's requirements pursuant to Article 5 of this Lease.

(b) "Agency Loans" shall have the meaning given in Section 6.2 of this Lease.

(c) "Approved Lenders" shall mean each and all of the lenders providing the Approved Loans to Lessee.

(d) "Approved Loans" shall mean the loans described in Section 6.2(a) below, or such other loans approved in writing by the Lessor, now or hereafter obtained by Lessee in connection with the Development, as evidenced by promissory notes and secured by deeds of trust (and any related security documents, including security agreements, fixture filings, and financing statements required of the Lessee) which are given by the Lessee.

(e) "Approved Loan Documents" shall mean all documents executed by the Lessee evidencing or securing the Approved Loans.

(f) "Authorized Officers" shall mean, in the case of the Lessor, the Executive Director, and in the case of the Lessee, its President.

(g) "County Loan" shall have the meaning given in Section 6.2 of this Lease.

(h) "Development" shall mean the Improvements and the Lessee's leasehold interest in the Land.

(i) "Dwelling Units" shall mean fourteen (14) units of rental housing, which shall be occupied by the Tenants, and may also include one additional unit which may be occupied by a resident manager.

(j) "Foreclosure Transferee" shall have the definition set forth in Section 2.3(b) hereof.

(k) "Improvements" shall mean the buildings, structures and other improvements, including the building fixtures therein, now or hereafter located on the Land.

(l) "Land" shall mean the land, more fully described in Exhibit A attached to this Lease and incorporated into this Lease by this reference.

(m) "Lease" shall mean this Ground Lease between the Lessor and the Lessee and shall include any and all amendments made to this Lease.

(n) "Lease Term" shall mean the thirty (30) year period set forth in Section 2.2 below, during which this Lease shall be in effect unless earlier terminated in accordance with the provisions of this Lease.

(o) "Lease Year" shall mean a period of one calendar year beginning January 1 and ending December 31. The first lease year shall commence on the date of this Lease and end on the last day of December of the same year. The last lease year shall begin on January 1 of that year and end on the last day of this Lease.

(p) "Lessee" shall mean BRIDGE Housing Corporation, a California nonprofit public benefit corporation, and its permitted successors and permitted assigns.

(q) "Lessor" shall mean the Redevelopment Agency of the City of Brisbane, and its successors and assigns.

(r) "Surplus Cash" shall have the meaning set forth in Section 2.3(b)

(s) "Tenants" shall mean the residents (other than any resident manager) who are authorized by Lessee to occupy the Dwelling Units.

ARTICLE 2: LEASE OF THE LAND; PAYMENT OF RENT; OWNERSHIP OF IMPROVEMENTS

2.1 Lease of the Land

The Lessor, for and in consideration of the covenants and agreements to be kept and performed by the Lessee, leases the Land to the Lessee, and in consideration thereof, the Lessee does lease the Land from the Lessor pursuant to the terms of this Lease.

2.2 Term; Payment at Termination

The term of this Lease shall commence on _____ as set forth above and shall continue from such date until the expiration of thirty (30) years, unless earlier terminated in accordance with this Lease, provided that the indemnification obligations of Section 7.4 shall survive termination. Upon termination of this Lease, the Lessee shall pay to Lessor all funds remaining in any reserve accounts relating to the Development, to the extent payments into those reserve accounts were deducted in calculating Surplus Cash; all outstanding security deposits; and all advance payments of rent for periods beyond the end of the term of this Lease.

2.3 Payment of Rent

(a) The Lessee shall pay to the Lessor, at 50 Park Lane, Brisbane, CA 94005, or such other place as Lessor may designate in writing, "Rent" in an annual amount equal to the amount of Surplus Cash for the year most recently concluded, multiplied by a fraction whose numerator is four hundred and forty-one thousand and whose denominator is the total of four hundred and forty-one thousand plus the total of the principal amounts advanced under the Agency and County Loans.

(b) "Surplus Cash" shall mean operating income of the Development (excluding interest income earned on tenant security deposits and Development reserve accounts) and any proceeds, not applied to restoration, reconstruction or repair of the Development, paid to Lessee under Sections 7.3, 8.1 or 8.2 below, less reasonable operating expenses. For this purpose, operating expenses shall include all costs and expenses related to ownership and operation of the Development including, but not limited to, deposits into reserves, taxes and other similar charges, debt service due in that year on the Approved Loans (excluding the loans from the Lessor and the County of San Mateo), the asset management fee, property management fee and other expenses of a property manager in amounts reasonable and customary in the industry, but shall not include any allowance for depreciation.

2.4 Title to Improvements

Lessor hereby grants to Lessee, without warranty express or implied, any right, title, or interest that Lessor may have in the Improvements now or hereafter located on the Land. Improvements on the Land during the Lease Term shall be and remain the property of Lessee; provided, however, that Lessee shall have no right to destroy, demolish or remove the Improvements except as specifically provided for in this Lease or as approved in writing by Lessor. When the Lease Term expires or, subject to applicable cure rights and interests of Approved Lenders, when the Lease is otherwise terminated under the terms of this Lease, title to the Improvements shall revert to and vest in Lessor without cost to Lessor. It is the intent of the parties hereto that this Lease shall create a constructive notice of severance of the Improvements from the Land without the necessity of a deed from Lessor to Lessee after the Improvements have been constructed. The Improvements, when built, shall be and remain real property and shall be owned in fee by the Lessee for the Lease Term. Lessee agrees to execute, at the request of Lessor at the end of the Lease Term, within ten (10) days of Lessor's written request, a confirmatory quitclaim deed of the Improvements to Lessor to be recorded at Lessor's option and expense and any other documents that may be reasonably required by Lessor or Lessor's title company to provide Lessor title to the Land and the Improvements free and clear of all monetary liens and monetary encumbrances not caused or agreed to by Lessor.

2.5 Assignment of Lessee's Leasehold Interest; Transfer of the Development

The Lessee may at any time and from time to time assign its interest in this Lease and sell or transfer the Development in accordance with the provisions of any Approved Loan Documents applicable to the Development, but only with the written consent

of the Lessor, which consent shall be granted by the Lessor if the Lessor reasonably determines that the transferee has the capacity and experience necessary to properly operate the Development, and that the transferee has a good reputation for proper operation and maintenance of housing developments for low- and moderate-income seniors. Notwithstanding the above, the following transfers shall not require the consent of the Lessor: (i) any transfer of Lessee's interest in this Lease and the Development to an Approved Lender; (ii) any transfer of Lessee's interest in the Lease and the Development to a Foreclosure Transferee, and one further transfer of Lessee's interest in this Lease and the Development by a Foreclosure Transferee, and (iii) any transfer of Lessee's interest in this Lease and the Development to BRIDGE Housing Corporation or a nonprofit affiliate of BRIDGE Housing Corporation.

ARTICLE 3: DEVELOPMENT OF IMPROVEMENTS

3.1 Commencement of Construction

Subject to Section 11.3 below, the Lessee shall commence construction of the Improvements within seven (7) months after the date first written above, unless such date is extended by the Executive Director of Lessor in the reasonable exercise of his or her discretion.

3.2 Completion of Construction

The Lessee shall prosecute diligently to completion the construction of the Improvements, and shall within twelve (12) months after the date of commencement complete the Improvements and obtain a certificate of occupancy therefor, subject to Section 11.3 below.

3.3 Construction Pursuant to Permits

The Improvements shall be constructed substantially in accordance with the plans prepared by Hood Miller & Associates dated January 15, 1997, approved by the Agency Board on February 24, 1997, titled Conceptual Design plans, Scheme II (as may be amended from time to time with the written approval of the Executive Director of the Agency) and in accordance with the terms and conditions of the City of Brisbane's land use permits and approvals and building permits.

3.4 Liens

Subject to subsection 4.4(d), the Lessee covenants and agrees promptly to pay all sums legally due and payable by the Lessee on account of any labor performed or materials supplied for the Development on which any lien is or can be legally

asserted against the Lessee's leasehold interest in the Land. In the event any mechanics' or materialmen's lien is filed against the Development, subject to subsection 4.4(d), the Lessee at its expense shall promptly cause such lien to be removed by bonding or otherwise, and the Lessee shall hold the Lessor harmless from any and all such asserted claims or liens.

3.5 Permits, Licenses and Easements

The Lessor agrees that, within ten (10) days after receipt of written request from the Lessee, it shall (at no expense to the Lessor) join in any and all applications for permits, licenses or other authorizations required by any governmental or other body claiming jurisdiction in connection with any work the Lessee may do pursuant to this Lease or the operation of the Development, and shall also join in any grants of easements for public utilities useful or necessary to the proper construction of the Improvements or the operation of the Development.

ARTICLE 4: USE AND MAINTENANCE OF THE DEVELOPMENT

4.1 Use of Development

The Lessee shall at all times during the Lease Term use or cause the Development to be used for residential purposes only (including necessary auxiliary uses, such as without limitation parking and a community room), consistent with all applicable zoning and environmental laws of any governmental authority having jurisdiction over the Development, and with all requirements of Approved Lenders. Lessee agrees to comply with all applicable and lawful statutes, rules, orders, ordinances, requirements and regulations of the United States, the State of California, and of any other governmental authority having jurisdiction over the Development; provided, however, that Lessee may, in good faith and on reasonable grounds, dispute the applicability of, or the validity of any charge, complaint or action taken pursuant to or under color of, any statute, rule, order, ordinance, requirement or regulation, defend against the same, and in good faith diligently conduct any necessary proceedings to prevent and avoid any adverse consequence of the same. Lessee agrees that any such contest shall be prosecuted to a final conclusion as speedily as reasonably possible. The Lessee agrees:

(a) not to use the Development for any disorderly or unlawful purpose, but only to provide proper housing facilities and ancillary uses to Tenants, and to maintain the Development as required by the Approved Loan Documents, for so long as such agreements remain in effect;

(b) to use best efforts, taking into account what is commercially reasonable, including but not limited to seeking

legal or equitable relief, where appropriate, to prevent any Tenant from committing or maintaining any nuisance or unlawful conduct on or about the Development;

(c) to use best efforts, taking into account what is commercially reasonable, to prevent any Tenant from violating any of the covenants and conditions of this Lease with respect to the Development;

(d) to use best efforts, taking into account what is commercially reasonable, if necessary, to abate any violation of this Lease by any Tenant upon notice from the Lessor; and

(e) subject to any applicable laws of the State of California and the rights of Tenants, to permit the Lessor and its agents, upon reasonable notice, to inspect the Development or any part thereof at any reasonable time during the Lease Term.

4.2 Maintenance of the Development

Subject to Sections 7.3, 8.1 and 8.2, during the term of this Lease, the Lessee shall perform, or cause to be performed, all maintenance and repairs necessary to maintain the Development in good repair and tenantable condition. The Lessor shall have the right, upon reasonable notice to the Lessee, and subject to the rights of Tenants, to enter the Development to make inspections to determine Lessee's compliance with this Section.

4.3 Utilities

The Lessee shall be responsible for the cost of all utilities, including water, heat, gas, electricity, waste removal, sewers, and other utilities or services supplied to the Development and, subject to Section 4.4(d), the Lessee shall pay or cause same to be paid currently and as due.

4.4 Taxes and Assessments

(a) Payment of Taxes and Assessments. The Lessee covenants and agrees during the entire Lease Term, at its own cost and expense, to pay the public officers charged with their collection, as the same become due and payable and before any fine, penalty, interest, or other charge may be added to them for nonpayment, all real estate taxes, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature, made, assessed, levied or imposed upon, or due and payable in connection with, or which become a lien upon, the Land, the Improvements, or any part of the Land or Improvements, or upon the Lessee's leasehold interest in the Land pursuant to this Lease, as well as assessments for sidewalks, streets, sewers, water, or any other public improvements and any other improvements or benefits which shall, during the Lease Term, be

made, assessed, levied, or imposed upon or become due and payable in connection with, or a lien upon the Land, the Improvements, or any part of the Land or Improvements, or upon the Lessee's leasehold interest in the Land pursuant to this Lease. Lessee may (but shall have no duty to) obtain an exemption for the Development from ad valorem property taxes under California Revenue and Taxation Code section 214(f), or other applicable authority.

(b) Payment of Fees. The Lessee covenants and agrees during the entire Lease Term, at its own cost and expense, to pay, as the same become due and payable and before any fine, penalty, interest or other charge may be added to them for nonpayment, license and permit fees, charges for public utilities of any kind, and any and all governmental charges relating to the use or occupancy of the Improvements.

(c) Copies of Notices to Lessee. The Lessor agrees promptly to send to the Lessee copies of any and all notices received by it in respect to any taxes, assessments, charges or fees for which the Lessee is liable pursuant to this Section 4.4.

(d) Lessee's Right to Contest. If the Lessee disputes any amount or validity of any liens, taxes, assessments, charges, penalties or claims, including liens or claims of materialmen, mechanics or laborers, upon the Land or the Improvements, the Lessee may contest and defend against the same at its cost, and in good faith diligently conduct any necessary proceedings in connection therewith to prevent and avoid the same; provided, however, that such contest shall be prosecuted to a final conclusion as speedily as reasonably possible. During any such contest, the Lessee shall (by the payment of such disputed taxes, assessments or charges, if necessary) prevent any advertisement of tax sale, any foreclosure of, or any divesting thereby of the Lessor's title, reversion or other interest in or to the Land and Improvements.

4.5 Hazardous Materials

(a) Definitions. The following special definitions shall apply for the purposes of this Section 4.5:

(i) "Hazardous Materials" shall mean:

(A) any "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14)) or Section 25281(d) or 25316 of the California Health and Safety Code at such time;

(B) any "hazardous waste," "infectious waste" or "hazardous material" as defined in Section 25117,

25117.5 or 25501(j) of the California Health and Safety Code at such time;

(C) any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. Section 6901 et seq.), CERCLA, Federal Water Pollution Control Act (33 U.S.C. Section 1521 et seq.), Safe Drinking Water Act (42 U.S.C. Section 3000 (f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clean Air Act (42 U.S.C. Section 7401 et seq.), California Health and Safety Code (Section 25100 et seq., Section 3900 et seq.), or California Water Code (Section 1300 et seq.) at such time; and

(D) any additional wastes, substances or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Development.

(ii) "Hazardous Materials Laws" means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Development or any portion thereof.

(b) Certain Covenants and Agreements. The Lessee hereby covenants and agrees as follows:

(i) The Lessee shall not knowingly permit the Development or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Project; provided however that, for the purposes of this subsection (b)(i) only, the term "Hazardous Materials" shall not include the following (which shall hereinafter be referred to as the "Excluded Hazardous Materials"):

construction materials in reasonable quantities for lawful use in the construction of the Improvements; reasonable quantities of gardening materials, household products, office supply products or janitorial supply products of the type customarily used in the construction, maintenance, rehabilitation, or associated with buildings and grounds, or typically used in household activities, in a manner typical of other residential housing developments which are comparable to the Improvements; certain substances which may contain chemicals listed by the State of California pursuant to Health and Safety Code Sections 25249.8 et seq., which substances are commonly used in reasonable quantities and in a lawful manner by a significant portion of the population living within the region of the Development, including, but

not limited to, alcoholic beverages, aspirin, tobacco products, nutrasweet and saccharine.

(ii) The Lessee shall keep and maintain the Development and each portion thereof in compliance with, and shall not cause or permit the Development or any portion thereof to be in violation of, any Hazardous Materials Laws;

(iii) Upon receiving actual knowledge of the following, the Lessee shall immediately advise the Lessor in writing of: (A) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Lessee or the Development pursuant to any applicable Hazardous Materials Laws; (B) any and all claims made or threatened by any third party against the Lessee or the Development relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as "Hazardous Materials Claims"); (C) the presence of any Hazardous Materials in, on or under the Development other than Excluded Hazardous Materials; or (D) the Lessee's discovery of any Hazardous Materials, except the discovery of any Excluded Hazardous Materials, on any real property adjoining or in the vicinity of the Development, which Lessee reasonably believes may impact the Development. The Lessor shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims.

(iv) Without the Lessor's prior written consent, which shall not be unreasonably withheld, the Lessee shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Development (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

4.6 Non-Discrimination

Notwithstanding any other provision of this Lease, the Lessee or its designee shall not, in the selection or approval of Tenants or provision of services or in any other matter, be obligated to discriminate or discriminate against any person or group of persons on the grounds of race, color, creed, religion, sex, marital status, national origin or ancestry. During the construction of the Improvements there shall be no discrimination on the basis of race, color, creed, religion, sex, age, disability, marital status, national origin or ancestry in the

hiring, firing, promoting or demoting of any person engaged in the construction work.

4.7 HOME Requirements

Lessee shall comply with all applicable laws and regulations governing the use of HOME Investment Partnerships Program funds as set forth in the documents relating to the loan for the Development from the County of San Mateo.

ARTICLE 5: AFFORDABILITY REQUIREMENTS

5.1 Affordability Definitions

The following terms shall have the following meanings as used in this Article 5:

(a) "Area Median Income" means the median income for San Mateo County as published by the California Department of Housing and Community Development ("HCD"). If HCD no longer publishes such income determinations, the Lessee shall calculate median income in a manner consistent with the methods previously used by HCD.

(b) "40% of Median Household" means a household whose annual gross income, adjusted for household size and other factors on a basis consistent with the determination of Area Median Income and very low income, does not exceed 40% of the Area Median Income.

(c) "Lower Income Household" means a household whose annual gross income does not exceed the qualifying limits, adjusted for household size and other factors, for a lower income household (80% of median income) as determined from time to time by HCD for San Mateo County. If HCD no longer publishes such income determinations, the Lessee shall calculate lower income in a manner consistent with the methods previously used by HCD.

(d) "Moderate Income Household" means a household whose annual gross income does not exceed the qualifying limits, adjusted for household size and other factors, for a moderate income household (120% of median income) as determined from time to time by HCD for San Mateo County. If HCD no longer publishes such income determinations, the Lessee shall calculate moderate income in a manner consistent with the methods previously used by HCD.

(e) "Rent" shall mean the total of monthly payments by the tenants of a Unit for the following: use and occupancy of the Unit and associated facilities, including parking; any separately charged fees or service charges assessed by Lessee which are

required of all tenants, other than security deposits; the cost of an adequate level of service for utilities paid by the tenant, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuel, but not telephone service; and any other mandatory interest, taxes, fees or charges for use of the Dwelling Unit or associated facilities assessed by a public or private entity other than Lessee, and paid by the tenant.

(f) "Senior Household" means a household which meets all applicable eligibility requirements of federal and state law for an age-restricted development. At the date of this Agreement, a household in which at least one resident is 62 or older, and all other residents are either: (i) at least 45 years old, or (ii) provide primary physical or economic support to a resident who is at least 62, qualifies as a senior household.

(g) "30% of Median Household" means a household whose annual gross income, adjusted for household size and other factors on a basis consistent with the determination of Area Median Income and very low income, does not exceed 30% of the Area Median Income.

(h) "Unit" shall mean a Dwelling Unit not occupied by a resident manager.

(i) "Very Low Income Household" means a household whose annual gross income does not exceed the qualifying limits, adjusted for household size and other factors, for a very low income household for San Mateo County as published by HCD. If HCD no longer publishes such income determinations, very low income shall mean a household with an adjusted income not greater than fifty percent (50%) of Area Median Income, and the Lessee shall calculate very low income in a manner consistent with the methods previously used by HCD.

5.2 Occupancy of Development.

The Lessee shall limit for the full Lease Term the rental of: (a) two (2) Units to Senior Households whose incomes at initial occupancy do not exceed the income limits for 30% of Median Households; (b) two (2) Units to Senior Households whose incomes at initial occupancy do not exceed the income limits for 40% of Median Households; and (c) two (2) Units to Senior Households whose incomes at initial occupancy do not exceed the income limits for Lower Income Households (that is, 80% of Area Median Income). The Lessee shall limit for the full Lease Term the rental of the remaining Units to Senior Households whose incomes at initial occupancy do not exceed the income limits for Moderate Income Households. Individual Units need not be permanently identified for rental to households at a particular income level, and this section shall be satisfied so long as

Units anywhere within the Development meet the requirements of this section.

5.3 Maximum Rental Charges

(a) The total charges for Rent for the four Units fulfilling the requirements of subsections 5.2(a) and 5.2(b) shall not exceed one-twelfth of thirty percent (30%) of fifty percent (50%) of Area Median Income, adjusted for assumed household size pursuant to subsection (c) below. In the event the gross income of a household occupying a Unit previously identified for occupancy by a 30% of Median Household or a 40% of Median Household, upon annual recertification, exceeds the maximum income for the identified type of household, the Lessee shall rent the next available Unit to a household of the identified type and may charge the over-income household the lesser of: (i) fifty percent (50%) of the household's annual gross income, as determined at the last annual recertification; or (ii) for a 30% of Median Household which has become a 40% of Median Household, a rent comparable to the rent which may be charged to a 40% of Median Household, or, for a 40% of Median Household which is no longer a 40% of Median Household, a rent comparable to the rent which may be charged to a Moderate Income Household.

(b) The total charges for Rent to Moderate Income Households shall not exceed one-twelfth of thirty percent (30%) of one hundred ten percent (110%) of Area Median Income, adjusted for assumed household size pursuant to subsection (c) below. For Moderate Income Households whose gross income, upon annual recertification, exceeds one hundred ten percent (110%) of Area Median Income, the Lessee may charge a Rent which does not exceed one-twelfth of thirty percent (30%) of the gross income of the household. In the event a Moderate Income Household's gross income, upon annual recertification, exceeds the maximum income for a Moderate Income Household, the Lessee shall not be required to terminate the tenancy of the over-income household and shall not be restricted in the rent charged to the over-income household so long as the over-income household otherwise remains a tenant in good standing in the Development.

(c) In calculating the allowable Rent for the Units, the Lessee shall use the occupancy per unit assumption of one more occupant per unit than the number of bedrooms in the unit. In no case, however, shall the Lessee be required by this Lease to use occupancy per unit assumptions which would cause the Lessee to be in violation of any regulatory agreement recorded against the Property by any federal or state government agency or any lender.

5.4 Changes in Age Eligibility

In the event that a Senior Household ceases to qualify as a Senior Household, and does not promptly restore its eligibility, then, to the extent required by law, that household shall be required to vacate the Development.

5.5 Marketing

During initial lease-up and on an ongoing basis, the lessee will conduct active outreach and marketing of the units within Brisbane, pursuant to a marketing plan, which shall be submitted to the Agency prior to commencement of construction of the Development for review and approval no later than three (3) months after submission, and which shall contain appropriate provisions for:

- (i) First preference for current Brisbane residents;
- (ii) Second preference for immediate family members of current Brisbane residents;
- (iii) Third preference for persons working or last employed in Brisbane;
- (iv) Fourth preference for former Brisbane residents who can document past residence of six months or more in Brisbane;
- (v) Fifth preference for former Brisbane employees who can document employment in Brisbane for a period of six months or more;
- (vi) Maintaining a record of current applicants in each of the pools identified above, and of all other current applicants.
- (vii) Contacting local senior clubs and other community groups when a vacancy occurs;
- (viii) Posting notice of vacancies on a community bulletin board;
- (ix) Mailing notice of vacancies to any resident mailing list provided by the Agency; and
- (x) Broader advertising where steps (i) through (iv) are unsuccessful.

5.6 Management Plan

(a) No later than the date it commences construction of the Development, Lessee shall submit to Lessor a management plan for the ongoing management of the Development, for review and approval by Lessor during a period of not more than three (3) months following submission. The management plan shall include provisions, consistent with this Lease, for tenant selection; the determination whether to use a resident manager and, if a resident manager is employed, the resident manager's responsibilities; review and approval of annual operating budgets by the Lessor; adoption of rules and regulations for the Development; maintenance and operation of the Development (including without limitation the community center) and other matters deemed appropriate by Lessor and Lessee. Lessor shall be notified of proposed amendments to the management plan not less than thirty (30) days before they become effective, and Lessor's written approval, which shall not unreasonably be withheld, shall be required for the amendment to become effective, provided that if Lessor fails to respond in writing within thirty (30) days after notification of a proposed amendment, Lessor shall be deemed to have approved the amendment.

(b) Not later than the date it commences construction of the Development, Lessee shall submit to Lessor for review the proposed management agreement for the Development; Lessee shall thereafter submit to Lessor for review, not less than thirty (30) days prior to its effective date, any modification of the proposed management agreement, other than renewal on identical terms. Implementation of a fee increase which was provided for in a management agreement previously reviewed and approved by Lessor shall not be considered a modification of the management agreement. Lessor's approval of the management agreement, which shall not be unreasonably refused, shall be required to the extent that the management agreement: (i) is with a person or entity other than BRIDGE Property Management Company; (ii) does not conform with the management plan; or (iii) provides compensation in excess of that shown in the initial or any subsequent operating budget for the Development. All provisions of this subsection (b) may be changed by the terms of a management plan for the Development which has been approved by Lessor.

ARTICLE 6: MORTGAGEE PROTECTION; APPROVED LOANS

6.1 Loan Obligations

Nothing contained in this Lease shall relieve Lessee of its obligations and responsibilities under any Approved Loans to operate the Development as set forth therein.

6.2 Liens and Encumbrances Against Lessee's Interest in the Leasehold Estate

(a) Lessee shall have the right to encumber, without the consent of Lessor, the leasehold estate created by this Lease and the Improvements with the following:

(i) a deed of trust securing a permanent loan for the Development from a private lender in a total amount not to exceed Two Hundred and Fifty Thousand Dollars (\$250,000), provided that Agency approval shall be required for any such deed of trust executed more than three months after a certificate of occupancy is first issued for the Development and for any loan whose proceeds are not applied (except for reasonable expenses related to the loan) solely to reduce the amount outstanding under one or more of the Agency Loans;

(ii) deeds of trust securing construction and permanent loans for the Development from Lessor (the "Agency Loans") in an aggregate amount not to exceed Two Million, Five Hundred Thousand Dollars (\$2,500,000);

(iii) a deed of trust securing a construction and permanent loan for the Development from San Mateo County (the "County Loan") in an amount not to exceed One Hundred and Seventy-Five Thousand Dollars (\$175,000); and

(iv) a deed of trust securing a loan for the Development under the Affordable Housing Program of the Federal Home Loan Bank of San Francisco from a private lender in a total amount not to exceed Sixty Thousand, Two Hundred Dollars (\$60,200);

(v) Regulatory Agreements of Approved Lenders.

(b) Lessee shall not have the right, without Lessor's consent, to encumber Lessor's interest in the Land or Lessor's reversionary interest in the Improvements, subject to Section 6.5 below.

(c) For as long as there is any lien securing any Approved Loans:

(1) Lessor shall not agree to any voluntary mutual termination or accept any surrender of this Lease (other than a transfer in lieu of foreclosure), nor shall Lessor consent to any amendment or modification of this Lease without prior written consent of Approved Lenders which have an outstanding Approved Loan.

(2) Notwithstanding any default by Lessee under this Lease, Lessor shall have no right to terminate this Lease

unless Lessor shall have given Approved Lenders which have an outstanding Approved Loan written notice of such default pursuant to the requirement of Sections 6.2(c)(7) and 11.2 and such Approved Lenders shall have failed to remedy such default or acquire Lessee's leasehold estate created by this Lease or commence foreclosure or other appropriate proceedings as set forth in, and within the time specified by, subsection 6.2(c)(4) below. In the event that Lessor receives competing or conflicting offers to cure any default, Lessor shall accept the offers to cure in the following order: first, the Lessee, then each Approved Lender in the same relative priority as their respective deeds of trust or mortgages.

(3) Any Approved Lender which has an outstanding Approved Loan shall have the right, but not the obligation, at any time to pay any or all of the rental due pursuant to the terms of this Lease, and do any other act or thing required of Lessee by the terms of this Lease, to prevent termination of this Lease. Each Approved Lender shall have sixty (60) days after receipt of notice from Lessor describing such default to cure the default. All payments so made and all things so done shall be as effective to prevent a termination of this Lease as the same would have been if made and performed by Lessee instead of by Approved Lender(s).

(4) In addition to the cure period provided in paragraph (3) above, if the default is such that possession of the Development may be reasonably necessary to remedy the default, any Approved Lender which has an outstanding Approved Loan shall have a reasonable time after the expiration of such sixty (60) day period within which to remedy such default, provided that (i) such Approved Lender shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease within such ninety (90) day period and shall continue to pay currently such monetary obligations when the same are due, (ii) such Approved Lender shall have acquired Lessee's leasehold estate hereunder or commenced foreclosure or other appropriate proceedings prior to or within such period, and shall be diligently prosecuting the same; and (iii) after gaining possession of the Development, the Approved Lender shall have cured all non-monetary defaults capable of cure by the Approved Lender and performed all obligation of Lessee capable of performance by the Approved Lender when the obligations are due.

(5) Any default under this Lease which by its nature cannot be remedied by any Approved Lender shall be deemed to be remedied if (i) within sixty (60) days after receiving written notice from Lessor describing the default, or prior

thereto, any Approved Lender shall have acquired Lessee's leasehold estate or commenced foreclosure or other appropriate proceedings, (ii) the Approved Lender shall diligently prosecute any such proceedings to completion, (iii) the Approved Lender shall have fully cured any default in the payment of any monetary obligations of Lessee hereunder which does not require possession of the Development, and (iv) after gaining possession of the Development, the Approved Lender shall perform all other obligations of Lessee hereunder capable of performance by the Approved Lender when the obligations are due.

(6) If Approved Lenders are prohibited, stayed or enjoined by any bankruptcy, insolvency or other judicial proceedings involving Lessee from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that any Approved Lender shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease and shall continue to pay currently such monetary obligations when the same fall due; provided, further, that such Approved Lender shall not interfere with Lessor's efforts to seek compliance by the Lessee with any non-monetary obligation under this Lease.

(7) Lessor shall mail or deliver to any Approved Lenders which have any outstanding Approved Loan a duplicate copy of all notices which Lessor may from time to time give to Lessee pursuant to this Lease. No notice by Lessor to Lessee hereunder shall be effective unless and until a copy of the notice shall have been mailed or delivered to such Approved Lenders as set forth in this Section 6.2(c)(7). All notices delivered by Lessor to any Approved Lenders shall also comply with the notice provisions of Section 11.2.

(8) In the event any Foreclosure Transferee becomes Lessee under this Lease by means of foreclosure or deed in lieu of foreclosure or pursuant to any new lease obtained under subsection (9) below, that Foreclosure Transferee shall be personally liable under this Lease or such new lease only for the period of time that Foreclosure Transferee remains lessee thereunder. Nothing in this Section shall be construed to obligate any Foreclosure Transferee to remedy any default of Lessee, and any failure of any Approved Lender to complete any such cure after commencing the same shall not give rise to any liability of any Approved Lender to Lessor or Lessee.

(9) In the event a Foreclosure Transferee becomes the legal owner of the leasehold estate, and upon written

request by Foreclosure Transferee given within sixty (60) days after becoming the legal owner of the leasehold estate, Lessor shall enter into a new lease of the Land with the Foreclosure Transferee for the remainder of the Lease Term with the same agreements, covenants, reversionary interests and conditions (except for any requirements which have been fulfilled by Lessee prior to termination) as are contained in this Lease and with priority equal to this Lease; provided, however, that the Foreclosure Transferee shall promptly cure any defaults by Lessee susceptible to cure by the Foreclosure Transferee.

(10) If the Lease is terminated by a bankruptcy proceeding, foreclosure or by other operation of law, Lessor shall upon request by an Approved Lender, execute a new lease of the Land to Approved Lender or other transferee, as the case may be, on the same terms and conditions as this Lease, except that the term will commence on the date of the new lease and will continue for the remaining unexpired term of this Lease.

(11) Lessor shall cooperate in including in this Lease by suitable amendment from time to time any provision which may reasonably be requested by any proposed leasehold mortgagee for the purpose of implementing the mortgagee-protection provisions contained in this Lease and allowing such leasehold mortgagee reasonable means to protect or preserve the lien of the leasehold mortgage and the value of its security. Lessor agrees to execute and deliver (and to acknowledge, if necessary, for recording purposes) any agreement necessary to effect any such amendment; provided, however, that any such amendment shall not in any way affect the Lease Term or rent under this Lease nor otherwise in any material respect adversely affect any rights of Lessor under this Lease.

6.3 Cost of Approved Loans to be Paid by Lessee

The Lessee affirms that, in connection with Approved Loans from private lenders, it shall bear all of the costs and expenses in connection with (i) the preparation and securing of those loans, (ii) the delivery of any instruments and documents and their filing and recording, if required, and (iii) all taxes and charges payable in connection with those loans.

6.4 Proceeds of Approved Loans

It is expressly understood and agreed that all Approved Loan proceeds shall be paid to and become the property of Lessee, and that the Lessor shall have no right to receive any such Approved Loan proceeds.

6.5 Subordination of Lessor's Fee Interest

In addition to Lessee's right to encumber its leasehold estate in the Land and its fee interest in the Improvements, Lessor agrees to encumber its fee title in the Land with the encumbrance described in subsection 6.2(a)(i) above, on the condition that an economically feasible alternative method of financing the Development on substantially comparable terms and conditions, but without subordinating the fee, is not reasonably available, as determined by the Executive Director of Lessor. Upon written request by Lessee, Lessor agrees to provide the subordination provided in this Section 6.5, subject to the conditions described in this Lease, including the following:

(a) The liability of Lessor under any documents executed in connection with any such loan shall be limited by the express terms of the instrument of subordination. The limitations shall include: (i) the limitation of Lessor's liability solely to the interest or interests subordinated, Lessor's right not to execute any instrument which would obligate Lessor for the payment of the Approved Loan, and the Approved Lender's express recognition that Lessor is not so obligated; and (ii) the Approved Lender's agreement to provide Lessor with notice of any default under the Approved Loan, and the right, without the obligation, within the same time provided to Lessee, to cure any default or to purchase the Approved Lender's rights under the Approved Loan Documents and other debt and security interests for an amount equal to the sum of the unpaid principal balance, plus accrued interest and other amounts evidenced and secured thereby.

(b) Lessee shall not be in Material Default under the terms of this Lease at the time of a request for subordination of Lessor's fee interest. "Material Default" shall mean any material breach by Lessee under this Lease, including, without limitation, the failure to pay Rent then due and payable, or, the filing of a bankruptcy petition by or against Lessee. Lessee shall not be in Material Default if Lessee has commenced to cure the Material Default at the time in question and diligently pursues such cure to completion.

(c) Provided the conditions of this Section 6.5 are satisfied, Lessor shall, within ten (10) days after written request by Lessee, execute, acknowledge and deliver a deed of trust or other instrument of subordination, together with other documents as may be reasonably required by the Approved Lender from Lessor to effectuate the provisions of this Section 6.5, without any charge by Lessor to Lessee therefor, subject to the terms and conditions contained in this Lease. Lessor will immediately pay over to Lessee proceeds received by Lessor, if any, of any Approved Loan and the proceeds of any Approved Loan received by Lessor shall be considered a trust fund to be paid to

Lessee. The agreement of subordination contained herein shall be self-operative and no further instrument of subordination shall be necessary unless it be required by an Approved Lender. If any proceeds are made payable to both Lessor and Lessee, Lessor shall immediately sign any papers necessary to transfer the proceeds to Lessee.

6.6 Notice and Right to Cure Defaults Under Approved Loans

Upon the recording of this Lease, Lessor may record in the office of the Recorder of San Mateo County a request for notice of any default under each Approved Loan. In the event of default by Lessee under an Approved Loan, Lessor shall have the right, but not the obligation, to cure the default. Any payments made by Lessor to cure a default shall be treated as rent due from Lessee which shall be paid, without regard to any limitation concerning Surplus Cash, within thirty (30) days of the date on which the payment was made by the Lessor.

6.7 Lessor's Obligation to Maintain Improvements as Affordable Housing

In the event that Lessor terminates this Lease and possession of the Improvements reverts to Lessor, Lessor agrees to maintain the Improvements as affordable rental housing in compliance with the requirements of any Approved Loan Documents for so long as the deeds of trust securing Approved Loans continue to encumber the Lessor's fee interest in the Land.

ARTICLE 7: INSURANCE

7.1 Required Insurance Coverage

(a) Fire and Extended Coverage Endorsement. The Lessee shall during the Lease Term keep the Development insured against loss or damage by a standard all risk policy in amounts not less than the replacement value of the Development, or should insurance in such amount not be reasonably and commercially available, such lesser amount as may be acceptable to both Lessor and Approved Lenders. The amount of such insurance shall be adjusted by reappraisal of the Improvements by the insurer or its designee at least once every five (5) years during the Lease Term, if requested by Lessor. If an all risk policy insuring the full replacement value of the Development is not reasonably and commercially available, Lessee shall use best efforts to obtain and maintain an extended coverage endorsement that ensures the full replacement value of the Development as soon as such coverage becomes commercially and reasonably available.

(b) Liability and Property Damage Insurance. During the Lease Term, the Lessee shall keep in full force and effect a

policy or policies of comprehensive general liability and property damage insurance against liability for bodily injury to or death of any person or property damage arising out of an occurrence on or about the Development. The limits of such insurance shall be not less than one million dollars (\$1,000,000) combined single limit for bodily injury and property damage. The limits of the insurance shall be adjusted once every five (5) years if and as reasonably required by Lessor.

(c) Workers' Compensation Insurance. The Lessee shall carry or cause to be carried workers' compensation insurance covering all persons employed by Lessee in connection with the Development and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against the Lessor or Lessee.

(d) Builders' Risk Insurance. During the course of any alteration, construction or reconstruction, the cost of which exceeds one hundred thousand dollars (\$100,000), the Lessee shall provide or require any contractor to provide builders' risk insurance for not less than one million dollars (\$1,000,000) combined single limit for bodily injury or property damage insuring the interests of Lessor, Lessee and any contractors and subcontractors.

7.2 Insurance Policies and Premiums

(a) All liability policies required by this Lease or any Approved Loan Document shall name the Lessor as an additional insured. Duplicate copies of such policies or certificates of such insurance shall be promptly furnished to the Lessor.

(b) To the extent obtainable, any policy of insurance shall provide that any change or cancellation of said policy must be made in writing and sent to Lessee and Lessor at their respective principal offices at least thirty (30) days before the effective date of change or cancellation.

7.3 Proceeds of Insurance

(a) For so long as any Approved Loan on the Development is outstanding: All fire and standard risk or extended coverage (casualty) insurance proceeds shall be applied to the payment of the costs of repairing or rebuilding that part of the Development damaged or destroyed if (i) the Lessee agrees in writing within ninety (90) days after payment of the proceeds of insurance that such repair or rebuilding is economically feasible, and (ii) each Approved Lender with an outstanding Approved Loan permits such repairing or rebuilding, provided that the extent of Lessee's obligation to restore the Development shall be limited to the amount of the insurance proceeds. If the Development is not

repaired or rebuilt, all such proceeds shall be applied in a manner consistent with the terms of the Approved Loans.

(b) In the event that no Approved Loan is outstanding, all insurance proceeds received under the policies set forth in this Article 7 shall be paid to the Lessee, provided that the Lessee shall apply such proceeds, to the extent possible, to reconstruction or repair in a manner consistent with the provisions of Section 8.2.

7.4 Indemnification

(a) Lessee shall indemnify and save harmless Lessor, its boardmembers, officers, employees, agents, and contractors, utilizing attorneys approved by the Lessor, from all claims, actions, demands, judgments, settlements, costs, expenses and attorneys' fees arising out of, attributable to or otherwise occasioned, in whole or in part, by any act or omission of Lessee, its partners, agents, contractors, servants, employees or invitees, arising from or relating to operation of the Development.

(b) Lessor shall indemnify and save harmless Lessee, and its officers, employees, agents and contractors, utilizing attorneys approved by the Lessee, from all claims, actions, demands, judgments, settlements, costs, expenses and attorneys' fees arising out of, attributable to or otherwise occasioned, in whole or in part, by any act or omission of Lessor, its agents, contractors, servants, employees or invitees, arising from or relating to operation of the Development.

ARTICLE 8: CONDEMNATION, DAMAGE OR DESTRUCTION OF THE DEVELOPMENT

8.1 Condemnation

If the Development or the Land or any part thereof shall be taken or condemned, for any public or quasi-public purpose or use by any competent entity in appropriate proceedings, or by any right of eminent domain, the Lessor and Lessee shall request that awards and other payments on account of a taking of the Development and the Land (less costs, fees and expenses incurred by Lessor and Lessee in connection with the collection thereof) shall be divided by the presiding court between loss of value of the fee interest in the Land and loss of value of the Development. In any case, subject to the rights of Approved Lenders under the Approved Loan Documents, such awards and payments shall be applied as follows:

(a) Net awards and payments received on account of a partial taking of the Development, other than a taking for a temporary

use not exceeding one (1) year, shall be allocated and paid in the following order of priority:

(1) If Lessee reasonably believes restoration is economically feasible, and unless Lessee is then in default and the opportunity to cure has expired under the Approved Loan Documents, first, to pay the cost of restoration of the Development, provided that the extent of Lessee's obligations to restore the Development shall be limited to the amount of the net award and payment received on account of the taking. Lessee shall furnish to Lessor evidence reasonably satisfactory to Lessor of the total cost of the restoration of the Development. In such event, the condemnation proceeds shall be paid into the Construction Fund described in Section 8.2 below, subject to the rights of Approved Lenders to collect and disburse such funds.

(2) Second, or first if (i) Lessee does not reasonably believe that restoration is economically feasible, or (ii) Lessee is in default and the opportunity to cure has expired under the Approved Loan Documents, to any Approved Lenders (in the order of their respective lien priority, if there is more than one Approved Lender) in an amount equal to the decrease (if any) in the value of the security for their respective Approved Loans as a result of the partial taking (calculated as set forth below in this subsection 8.1(a)(2)), less amounts payable to or recovered by the Approved Lender pursuant to such taking, but not to exceed the unpaid balance of their Approved Loans. For purposes of this subsection 8.1(a)(2), the amount of decrease in the value of the security for an Approved Loan shall be the amount, if any, necessary to reduce the outstanding principal of said Approved Loan such that the Loan to Value Ratio (as defined below) of said Approved Loan immediately following the taking is equal to the Loan to Value Ratio of said Approved Loan immediately preceding the taking. Loan to Value Ratio shall mean that fraction the numerator of which is the sum of the principal amount of the Approved Loan plus the principal amounts of all Approved Loans higher in lien priority to the Approved Loan either immediately following the taking (after taking into account any paydown pursuant to this subsection of any loans of higher priority) or, immediately preceding the taking, as applicable, and the denominator of which is the appraised value of the Development immediately following the taking or immediately preceding the taking, as applicable. The values of the Development immediately preceding the taking and immediately following the taking shall be determined by an MAI or SRI appraiser selected by Lessee and who is reasonably satisfactory to Lessor.

(3) The balance, if any, shall be divided between Lessor and Lessee in the manner specified in subparagraph (e) below; provided, however, if the taking has no effect on the value of the Lessor's fee interest in the Land or reversionary

interest in the Improvements, the balance shall be paid exclusively to Lessee.

(b) Net awards and payments received on account of a partial or total taking of only Lessor's fee interest in the Land or the reversionary interest in the Improvements (that is, a taking of Lessor's fee interest in the Land or Lessor's reversionary interest in the Improvements that has no effect on the value of Lessee's leasehold interest in the Land or Lessee's fee interest in the Improvements), including severance damages, shall be paid to Lessor, subject to the rights of any Approved Lenders to which the Lessor has subordinated its fee interest in the Land, which amount shall be free and clear of any claims of Lessee, or any other persons claiming rights to the Land through or under Lessee, other than Approved Lenders to which the Lessor has subordinated its interest in the Land.

(c) Net awards and payments received on account of a taking for temporary use not exceeding one (1) year and relating to a period during the Lease Term shall be paid to Lessee; provided, however, that if such taking for temporary use has resulted in any damage to or destruction of the Development, such net awards and payments shall be first applied to pay the cost of restoration thereof if the Lessee determines that restoration is economically feasible. Net awards and payments received on account of a taking for temporary use not exceeding one (1) year and relating to a period beyond the Lease Term shall be paid to Lessor.

(d) Net awards and payments received on account of a total taking of the Development shall be allocated and paid in the following order of priority:

(1) First, to any Approved Lenders with then-outstanding Approved Loans secured by the Development (in the order of their respective lien priority, if there is more than one Approved Lender), an amount equal to the unpaid balance secured by their respective Approved Loans to the extent there are sufficient funds to make such payments;

(2) The balance, if any, shall be divided between Lessor and Lessee in the manner specified in subparagraph (e) below; provided, however, if the taking has no effect on the value of the Lessor's fee interest in the Land or reversionary interest in the Improvements, the balance shall be paid exclusively to Lessee.

(e) For purposes of subsections (a)(3) and (d)(2) above, first Lessee shall receive reimbursement for any funds it has reasonably expended for repair and/or reconstruction of the Development (other than funds received from Approved Lenders). Second, Lessor shall receive that portion of the remaining sum

equal to such remaining sum, multiplied by a fraction the numerator of which is the number of years elapsed from the date of the Lease to the date of the taking, and the denominator of which is thirty (30). Third, Lessee shall receive all remaining sums.

(f) Lessee shall receive any award granted for or allocated to trade fixtures, moving expenses or loss of business.

(g) If the Development is taken or condemned during the last five (5) years of the Lease Term under circumstances described in subparagraph (a) above, Lessee may elect to terminate the Lease and proceeds of any payment or award shall be distributed in accordance with the provisions of subparagraphs (d) and (e) above.

8.2 Administration of Construction Fund in the Event of Condemnation, or Damage or Destruction of Development

In the event that the Approved Loans have been paid in full, and if the Development or any part of it is to be repaired or reconstructed, after damage or destruction of the Development or its condemnation, all proceeds collected under any and all policies of insurance referred to in Article 7 above covering such damage or destruction, or all compensation received for such taking by the exercise of the power of eminent domain, shall be paid into a special trust fund to be created and held by the Lessee and to be designated as the Construction Fund, during such repairing or reconstructing. Any surplus of such insurance or condemnation proceeds remaining after the completion of all payments for such repairing or reconstructing shall be held or applied by the Lessee in a manner consistent with the applicable provision of Article 7 or this Article.

8.3 Lessee, Lessor, Approved Lenders to be Made Parties in Legal Proceedings

(a) In the event proceedings shall be instituted (i) for the exercise of the power of eminent domain, or (ii) as a result of any damage to or destruction of the Development, resulting proceeds shall be paid to the Approved Lenders for application or disbursement in accordance with the Approved Loan Documents. The Lessee, Lessor, and, as necessary, any Approved Lender with a then-outstanding Approved Loan shall be made parties to those proceedings, and if not made parties by the petitioning party, shall be brought into the proceedings by appropriate proceedings of other parties so that adjudication may be made of the damages, if any, to be paid to the Lessee, Lessor and Approved Lenders as compensation for loss of their rights in the Improvements or the Land, or for damage to or destruction of the Development. Should Lessor or Lessee receive notice of institution of any proceedings subject to Section 8.1, the party receiving such notice shall

notify the other in accordance with Section 11.2 of this Lease, not later than thirty (30) days after receiving such notice.

(b) The Lessor and the Lessee shall cooperate and consult with each other in all matters pertaining to the settlement, compromise, arbitration, or adjustment of any and all claims and demands for damages on account of damage to or destruction of the Development, or for damages on account of the taking or condemnation of the Improvements or the Land.

8.4 Termination

In the event of a total taking or in the event of damage, destruction, or a partial taking, other than a temporary taking of the Development, which Lessee reasonably determines renders continued operation of the Development infeasible both as a whole and in substantial part, this Lease shall terminate (except if Lessee is rebuilding the Development in accordance with the terms of this Lease), and in such event any proceeds shall be allocated pursuant to Section 7.3 or Article 8, as appropriate. In the event of a partial taking that does not result in termination pursuant to this Section 8.4, this Lease shall remain in full force and effect as to the portion of the Development remaining, provided that the number of units subject to the affordability and occupancy requirements of Article 5 shall be adjusted if necessary.

ARTICLE 9: ASSURANCES OF LESSOR

9.1 Lessor to Give Peaceful Possession

The Lessor covenants that it owns in fee simple, and that it has good and marketable title to the Land and that the Land is free of all easements, covenants, conditions, liens, encumbrances and restrictions except for those exceptions set forth in Exhibit B to this Lease. The Lessor has the full right and authority to make this Lease. The Lessor covenants and warrants that the Lessee and its Tenants shall have, hold and enjoy, during the Lease Term, peaceful, quiet and undisputed possession of the Land without hindrance or molestation by or from anyone so long as the Lessee is not in default under this Lease following the expiration of all applicable notice and cure periods.

9.2 Lessor to Obtain Necessary Governmental Approvals

The Lessor covenants that all necessary approvals have been obtained from any and all governmental agencies in compliance with all laws, ordinances, and regulations requisite to leasing of the Land.

9.3 Release of Lessor

Lessor may sell, assign, transfer or convey (but not encumber) all or any part of Lessor's interest in the Land, reversionary interest in the Improvements or this Lease without obtaining Lessee's consent, provided that the purchaser, assignee, or transferee: (i) expressly assumes all of the obligations of the Lessor under this Lease by a written instrument in a form reasonably satisfactory to Lessee and recordable in the Official Records of the County of San Mateo; and (ii) executes necessary documentation to effect continued subordination of the fee interest in the Land to Approved Lenders who have required subordination pursuant to Section 6.5 above. In the event Lessor intends to sell all or any part of the Land, Lessor shall notify Lessee of such intention not later than ten (10) days before close of escrow. In the event of a sale, assignment, transfer or conveyance by Lessor of the Land or its rights under this Lease, the same shall operate to release Lessor from any future liability upon any of the covenants or conditions of this Lease, expressed or implied, in favor of Lessee, and in such event Lessee shall look solely to the successor in interest of Lessor in and to the Land or this Lease. This Lease shall not be affected by any such sale or transfer, and Lessee agrees to attorn to any such purchaser or assignee.

9.4 Encumbrance by Lessor

Lessor may encumber or hypothecate its interest in the Land or any part thereof with a mortgage, deed of trust or other form of security interest. Any mortgagee, deed of trust holder or holder of another such security interest shall agree in writing in form reasonably satisfactory to Lessee not to disturb Lessee's possession of the Land in the event such mortgagee should foreclose or otherwise exercise its remedies under its loan documents, provided Lessee agrees to attorn to such mortgagee.

ARTICLE 10: DEFAULTS AND REMEDIES

10.1 Events of Default; Remedy for Default by Lessee

(a) Any one or more of the following events shall constitute an "Event of Default":

(1) Failure to pay rent, as required pursuant to Section 2.3 of this Lease, or any other payment required hereunder, and continuance of such failure for a period of thirty (30) days after receipt by the Lessee of written notice specifying the nonpayment;

(2) Failure of the Lessee to observe and perform any covenant, condition or agreement hereunder on its part to be performed, and (i) continuance of such failure for a period of thirty (30) days after receipt by the Lessee of written notice specifying the nature of such default, or (ii) if by reason of the nature of such default the same cannot be remedied within said thirty (30) days, the Lessee fails to proceed with reasonable diligence after receipt of said notice to cure the same; or

(3) Lessee's abandonment of the Development for the period of time required for such abandonment to be legally recognized as such under California law; or

(4) A general assignment by Lessee for the benefit of creditors; or

(5) The filing of a voluntary petition by Lessee, or the filing of an involuntary petition by any of Lessee's creditors seeking the rehabilitation, liquidation or reorganization of Lessee under any law relating to bankruptcy, insolvency or other relief of debtors, provided that in the case of an involuntary petition Lessee shall have ninety (90) days to cause such petition to be withdrawn or dismissed; or

(6) The appointment of a receiver or other custodian to take possession of substantially all of Lessee's assets or of this leasehold, which appointment is not withdrawn or dismissed within ninety (90) days, excluding any receivership initiated by an Approved Lender which shall not constitute an Event of Default hereunder; or

(7) Lessee becomes insolvent or declares in writing it is unwilling to pay its debts as they become due; or any court enters a decree or order directing the winding up or liquidation of Lessee or of substantially all of its assets; or Lessee takes any action toward the dissolution or winding up of its affairs or the cessation or suspension of its use of the Development; or

(8) Attachment, execution or other judicial seizure of substantially all of Lessee's assets or this leasehold, which is not dismissed, bonded, or stayed within ninety (90) days.

(b) Whenever any default shall have occurred and be continuing and upon expiration of any applicable cure periods provided herein, and subject to the cure rights of Approved Lenders set forth in this Lease, the Lessor may take whatever action at law or in equity is otherwise legally authorized and appears reasonably necessary to enforce performance or observance

of any obligations, agreements, or covenants of the Lessee under this Lease, including without limitation, termination of this Lease. In the event of such default, Lessor's remedies shall be cumulative, and no remedy expressly provided for in this Section shall be deemed to exclude any other remedy allowed by law.

10.2 Remedy for Default by Lessor

If the Lessor defaults under this Lease, the Lessee shall give the Lessor and the Approved Lenders written notice requiring that the default be remedied by the Lessor. If the default is not cured within the time set forth by the Lessee (which shall be a reasonable time for curing the default and shall in any event be at least thirty (30) days), the Lessee and Approved Lenders may take any action as may be necessary to protect their respective interests. Such action, in the event that the Lessor shall fail to perform any of its obligations under this Lease and such failure shall continue after the expiration of the cure period specified in this section, shall include the right of the Lessee and Approved Lenders to cure such default and receive reimbursement for any expenditure with interest thereon (at the lesser of ten percent (10%) per annum, or the maximum rate then allowed by law) from Lessor within thirty (30) days after sending to Lessor a statement therefor.

ARTICLE 11: MISCELLANEOUS

11.1 Instrument Is Entire Agreement

This Lease and the attached Exhibits constitute the entire agreement between the parties with respect to the matters set forth herein. This Lease shall completely and fully supersede all other prior understandings or agreements, both written and oral, between the Lessor and the Lessee relating to the lease of the Land by the Lessor to the Lessee. This Lease may be modified in any respect or terminated only by a writing executed by Authorized Officers of Lessor and Lessee.

11.2 Notices

All notices hereunder shall be in writing signed by Authorized Officer(s) and shall be sufficient if sent by United States first class, certified mail, postage prepaid, or express delivery service with a receipt showing the date of delivery, addressed:

if to the Lessor:	Brisbane Redevelopment Agency 50 Park Lane Brisbane, CA 94005 Attention: Executive Director
-------------------	--

if to the Lessee: BRIDGE Housing Corporation
One Hawthorne, 4th Floor
San Francisco, CA 94105
Attn: President

or any other address as either party may have furnished to the other in writing pursuant to the requirements of this Section 11.2 as a place for service of notice. Any notice so mailed shall be deemed to have been given on the delivery date or the date that delivery is refused by the addressee, as shown on the return receipt.

11.3 Force Majeure

Performance by either party hereunder shall not be deemed to be in default where defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; governmental restrictions or priority; litigation (including suits filed by third parties concerning or arising out of this Lease); unforeseen weather or soils conditions which, in the opinion of the Lessee's contractor, will necessitate delays; inability to secure necessary labor, materials or tools; delays of any contractor, sub-contractor or supplier in breach of an agreement with either party or beyond the affected party's reasonable control; acts of the other party; acts or failure to act of any public or governmental agency or entity (other than the acts or failure to act of the Lessor); or any other causes (other than Lessee's inability to obtain financing for the Development) beyond the control or without the fault of the party claiming an extension of time to perform. Times of performance under this Lease may also be extended in writing by the Lessor and the Lessee.

11.4 Recording

A Memorandum of this Lease shall be recorded in the Office of the Recorder in San Mateo County.

11.5 Non-Waiver of Breach

Neither the failure of the Lessor or the Lessee to insist upon strict performance of any of the covenants and agreements of this Lease nor the failure by the Lessor or Lessee to exercise any rights or remedies granted to such parties under the terms of this Lease shall be deemed a waiver or relinquishment (i) of any covenant herein contained or of any of the rights or remedies of the Lessee or Lessor hereunder, (ii) of the right in the future of the Lessor or Lessee to insist upon and to enforce by any appropriate legal remedy a strict compliance with all of the covenants and conditions thereof, or (iii) the right of the

Lessor to recover possession of the Land upon occurrence of a default and the expiration of applicable notice and cure periods or the expiration of the Lease Term.

11.6 Effective Date; Counterparts

This Lease shall become effective upon the commencement of the Lease Term set forth in Article 2. This Lease may be executed in counterparts, each of which shall be an original and all of which shall constitute the same instrument.

11.7 Lease Binding on Successors

This Lease and all of its provisions and attached Exhibits shall inure to the benefit of, and shall be binding upon, the Lessor, the Lessee, and their respective permitted successors and permitted assigns and, as provided in Sections 6.2(c)(10) and 10.1(b), Approved Lenders and limited partners of Lessee.

11.8 Relationship of Parties

Nothing contained in this Lease shall be deemed or construed by the parties or by any third party to create the relationship of principal or agent or of partnership, joint venture or association or of buyer and seller between Lessor and Lessee, it being expressly understood and agreed that neither the computation of any payments and other charges under the terms of this Lease nor any other provisions contained in this Lease, nor any act or acts of the parties, shall be deemed to create any relationship between Lessor and Lessee other than the relationship of landlord and tenant.

11.9 No Merger

There shall be no merger of this Lease or any interest in this Lease nor of the leasehold estate created hereby, with the fee estate in the Land, by reason of the fact that this Lease or such interest therein, or such leasehold estate may be directly or indirectly held by or for the account of any person who shall hold the fee estate in the Land, or any interest in such fee estate, nor shall there be such a merger by reason of the fact that all or any part of the leasehold estate created hereby may be conveyed or mortgaged in a leasehold mortgage to a leasehold mortgagee who shall hold the fee estate in the Land or any interest of the Lessor under this lease.

11.10 Gender and Number

Words of any gender used in this Lease shall be held to include any other gender, and any words in the singular number shall be held to include the plural (and vice versa), when the context requires.

11.11 Titles

The titles and article or paragraph headings are inserted only for convenience, and are in no way to be construed as a part of this Lease or as a limitation on the scope of the particular provisions to which they refer.

11.12 Severability

If any provision of this Lease or the application of any provision to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

11.13 Applicable Law

This Lease shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the day and year first above written.

LESSOR:

Redevelopment Agency of the City of Brisbane, a public body corporate and politic

By:

Cyril G. Bologoff
Cyril G. Bologoff

Its: Chairman

LESSOR:

Redevelopment Agency of the City of Brisbane, a public body corporate and politic

By:

Its:

Cyril G. Bologoff
CHAIRMAN

Cyril G. Bologoff

LESSEE:

BRIDGE Housing Corporation, a California nonprofit public benefit corporation

By:

Its:

Lydia Tan
VICE PRESIDENT

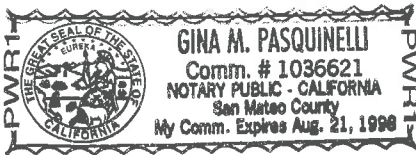
Lydia Tan

ALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
 County of San Mateo
 On 2/26/98 before me, Gina M. Pasquinelli,
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
 personally appeared Cyril G. Bologoff,
Name(s) of Signer(s)

- ☒ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Gina M. Pasquinelli
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Ground lease
 Document Date: 2/2/98 Number of Pages: 36
 Signer(s) Other Than Named Above: Lydia Tan

Capacity(ies) Claimed by Signer(s)

Signer's Name: Cyril G. Bologoff

- ☐ Individual
☐ Corporate Officer
 Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☒ Other: Nayor Pro Tem

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

Signer Is Representing:

City of Brisbane

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer
 Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

Signer Is Representing:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of CALIFORNIACounty of SAN FRANCISCOOn 2/2/98 before me, LAURA E. DINGLER,
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")personally appeared LYDIA TAN
Name(s) of Signer(s)

- ☒ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

[Signature]
 Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

ORIGINAL COPY
 Title or Type of Document: GROUND LEASE BY & BETWEEN BRISBANE RDA & BRIDGE HOUSING

Document Date: 2/2/98 Number of Pages: 35

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: LYDIA TAN

- ☐ Individual
☒ Corporate Officer
 Title(s): VICE PRESIDENT
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

RIGHT THUMBPRINT
 OF SIGNER
 Top of thumb here

Signer Is Representing:

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer
 Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

RIGHT THUMBPRINT
 OF SIGNER
 Top of thumb here

Signer Is Representing:

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

Lots 11, 12, 13, 14, 15, and 16 in Block 4, as shown on that certain map entitled "AMENDED MAP OF SUBDIVISIONS NOS. 1,2 & 3 OF CITY OF VISITACION CALIFORNIA", filed in the office of the County Recorder of San Mateo County, State of California, on October 14, 1908 in Book 6 of Maps at page(s) 45.

A.P. No.: 007-221-070
 007-221-080
 007-221-090

JPN 007 022 221 07 A
 007 022 221 08 A
 007 022 221 09 A

EXHIBIT B

LIENS AND ENCUMBRANCES

Lessor's interest in the Land is subject to the easements, covenants, conditions, and restrictions as set forth in the preliminary title report dated March 25, 1997 issued by First American Title Insurance Company, order number 424659, excluding exception numbers 1, 2, 3, & 4 listed therein.

EXHIBIT C

PROMISSORY NOTE

\$ 170,608.00August 12, 1997 *cf*

Brisbane, California

FOR VALUE RECEIVED, BRIDGE Housing Corporation, a California nonprofit public benefit corporation (the "Borrower"), whose address is 1 Hawthorne Street, Suite 400, San Francisco, California, hereby promises to pay to the order of the Redevelopment Agency of the City of Brisbane, a public body corporate and politic (the "Agency"), whose address is 50 Park Lane, Brisbane, California 94005, the principal amount equal to One Hundred Seventy Thousand Six Hundred Eight Dollars (\$170,608), or so much thereof as may be advanced by the Agency to the Borrower (the "Loan"). Borrower also promises to pay to the order of the Agency simple interest on the principal balance from time to time remaining unpaid, at a rate of three percent (3%) per annum.

1. **AMOUNT AND TIME OF PAYMENT.** Subject to the provisions in Paragraph 3 below, the principal of the Loan and all accrued interest thereon shall be due and payable on an Event of Default by the Borrower which has not been cured as provided for in Predevelopment Loan Agreement entered into between the Agency and the Borrower dated as of August 12, 1997 (the "Loan Agreement"). In the absence of an uncured Event of Default, unless the loan has been forgiven pursuant to Section 3 of this Note, the principal balance of the Loan and all accrued interest thereon shall be incorporated in any construction loan made by the Agency to Borrower pursuant to Section 4.2(a) of the Loan Agreement.

2. **PLACE AND MANNER OF PAYMENT.** All amounts due and payable under this Note are payable at the office of the Agency at the address set forth above, or at such other place as the Agency may designate to the Borrower in writing from time to time, in any coin or currency of the United States which on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

3. **FORGIVENESS OF LOAN.** Pursuant to Section 4.2 of the Loan Agreement, if the Agency or the Borrower decides that the development of the Property is not feasible, or the Loan Agreement is otherwise terminated, the Borrower shall assign to the Agency and the Agency shall assume from the Borrower all of the Borrower's rights and obligations, up to the amount in the Budget as defined in the Loan Agreement, under any contracts and governmental approvals. The Borrower shall supply the Agency with all products developed pursuant to the Loan Agreement by the

Borrower's consultants, and the Agency shall immediately forgive all principal and interest under the Loan and cancel this Note.

4. **WAIVERS.** Presentment, notice of dishonor, and protest are waived by all makers, sureties, guarantors, and endorser of this Note.

5. **CONSENTS AND APPROVALS.** Any consent or approval of the Agency required under this Note shall not be unreasonably withheld.

6. **NOTICES.** Except as may be otherwise specifically provided herein or in the Loan Agreement, any approval, notice, direction, consent, request or other action by the Agency shall be in writing and may be communicated to the Borrower at the principal office of the Borrower set forth above, or at such other place or places as the Borrower shall designate in writing, from time to time, for the receipt of communications from the Agency.

7. **BINDING UPON SUCCESSORS.** All provisions of this Note shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of the Borrower and the Agency.

8. **GOVERNING LAW.** This Note shall be interpreted under and governed by the laws of the State of California, except for those provisions preempted by federal law.

9. **SEVERABILITY.** Every provision of this Note is intended to be severable. If any provision of this Note shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

10. **TIME.** Time is of the essence in this Note.

11. **ATTORNEYS' FEES AND COSTS.** In the event any legal action is commenced to interpret or to enforce the terms of this Note, the prevailing party in any such action shall be entitled to recover all reasonable attorneys' fees and costs incurred in such action.

12. **WAIVER.** Any waiver by the Agency of any obligation in this Note must be in writing. No waiver shall be implied from any failure of the Agency to take, or any delay or failure by the Agency to take action on any breach or default by the Borrower or to pursue any remedy allowed under this Note or applicable law. Any extension of time granted to the Borrower to perform any obligation under this Note shall not operate as a waiver or release from any of its obligations under the Note.

13. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Note must be in writing, and shall be effective only if executed by both the Borrower and the Agency.

BORROWER

BRIDGE Housing Corporation, a
California nonprofit public benefit
corporation

By: Carol G. White

Its: President